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SUBJECT: POSSIBLE FUTURE LABOUR PARTY LEADER RESIGNS FROM CABINET
AMID ALLEGATIONS OF ILLEGALITY.

¶1. (SBU) New Zealand's political landscape has been shaken by the resignation from Cabinet of David Parker, a talented Labour MP viewed as a potential future party leader, only five months after he was first elevated from the backbenches. The resignation followed magazine allegations that Parker filed false company returns both before and during his time in Parliament. This case exposes a greater problem for Labour beyond losing a key Cabinet Minister to yet another scandal: the Party has few untapped MPs of sufficient intellectual heft to fill leadership positions.

Bogus declarations result in dramatic resignations.

¶2. (SBU) The Investigate magazine has alleged that Parker made false statements to the Companies Office about the company in which he was in partnership with his father and a Dunedin property developer. Once these allegations were in the public domain, the legally-trained Parker quickly admitted culpability expressing deep regret for what he calls "mistakes" and "corner cutting".

¶3. (SBU) In a two-step resignation, Parker at first only quit his post as Attorney-General, the Government's chief legal office. But after consultation with senior Cabinet ministers, Parker resigned from his remaining Cabinet responsibilities in transport, energy and climate change policy. The media has also reported that Parker resigned because Prime Minister Clark had lost confidence in him. When asked whether she would have asked for his resignation if he had not offered it, Clark said "it probably would have come to that but it didn't need to".

Labour has lost a rare commodity.

¶4. (SBU) Parker was a twofold rarity among Labour: a lawyer and someone with leadership potential. He was widely recognized as Labour's rising star. Such was Clark's confidence in Parker's abilities that he was promoted to Cabinet after only a solitary term in Parliament. (He had also lost his electoral seat, returning as a list candidate.) Moreover, Carter was tasked with managing the broad sweep of the New Zealand's vital yet problematic infrastructure, as well the country's Kyoto Protocol commitments.

Resignation underscores a greater problem for Labour.

¶5. (SBU) Clark has now returned Parker's portfolios to ministers who have shouldered these responsibilities in the past. Deputy Prime Minister Michael Cullen re-acquires the Attorney-General role; transport and responsibility for climate change policy once again goes to Health Minister Pete Hodgson; and the energy portfolio returns to Economic Development Minister Trevor Mallard.

¶6. (SBU) By resigning, Parker has prevented the scandal from

widening, and has generally gotten good press in local media for having done the right thing. Even before his resignation, opposition MPs seemed reluctant to attack Labour over Parker, who is generally liked and respected.

¶7. (SBU) The real problem for Labour is that this scandal has exposed the glaring lack of depth at this elevated level of policymaking within Labour's ranks. Although Hodgson and Mallard will operate on an acting basis in the foreseeable future, it is clear that after two full terms in power, Labour has failed to effectively rejuvenate its ranks with new MPs capable of doing the heavy lifting of Cabinet. The combination of weary incumbents and a shallow talent pool within the Labour caucus could put it at a distinct comparative disadvantage when measured up to the well-stocked and energized opposition National Party at the next election.

Scandals fast becoming a growth industry within Labour.

¶8. (SBU) This scandal also comes at a bad time for Clark, whose Government is already engaged in a longstanding and bitter scandal involving allegations of Labour Cabinet Minister David Benson Pope's past impropriety (Wellington 195). Since Labour came to power in 1999, counting Parker, ten Labour ministers have been fired, resigned or stood down. Opposition parties have made political hay from this legacy. Clark's claim that she might have fired Parker if he hadn't resigned could be an attempt to deflect the opposition's claims that Labour's leadership is indifferent to its MPs breaching conventional standards, and even in some cases the law.

The legal and political ramifications

¶9. (SBU) If Parker is found guilty and sentenced to the full weight of the law, he would be in breach of the Electoral Act and forced

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resign from Parliament. A saving grace for Parker is that according to a Companies Office official "prosecutions (are) relatively rare, with prosecution for filing matters rarer still."

¶10. (SBU) If Parker leaves parliament, the existing finely balanced distribution of seats within parliament will not be disturbed. Parker is a list MP, and his departure will simply mean that he will be replaced by the next candidate on the Labour party list, thereby restoring the status quo.